# A SURVEY OF RISK FACTORS IN THE STRATEGIC PLANNING PROCESS OF SELECTED PARASTATALS IN KENYA



BY

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**DECLARATION**

This project is my original work and has not been submitted for a degree in any other university.

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Date: 6 NOV 2003

This project has been submitted for examination with my approval as the University Supervisor.

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To GOD, our creator and Giver of all wisdom.

To my parents and siblings, for believing in me.

To my teachers and friends, who saw me through all the challenges of higher education.

"I have the strength for everything through Him who empowers me."

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## ABSTRACT

Strategic planning has its roots in war situations, where survival is key to success. Modern business organizations have embraced this concept, and now most leading organizations engage strategic planning managers to ensure survival and growth. The concept of strategic planning has also taken root in public sector organizations, whose objectives may not necessarily be profit oriented. In Kenya, parastatals are important organizations used by the Government as conduits for service delivery to the populace. Their goals are usually of a wider scale concerning both the organization and the country as a whole, and their operations call for accountability to varied stakeholders. In order that they achieve their objectives, or increase their chances of doing so, it is important that strategic planning be done bearing in mind all the risks involved.

This research project set out to document the state of strategic planning, with particular reference to risk measurement and management, in Kenyan parastatals. The key objectives of this study were the identification of the risk assessment factors in strategic planning and the establishment of the factors influencing the risk measurement practices. A comprehensive review of available literature, both local and international was done. Strategic planning, as presented by various authors, was analyzed with emphasis on its application in public sector organizations. Various weaknesses of strategic planning, and how to counter the same, were highlighted. Notably, it was established that strategic planning can only succeed when contextual factors are adequately considered and organizations take deliberate steps towards identifying and managing all likely consequences of making certain strategic choices.

The research findings on strategic planning in public sector organizations were for the most part consistent with the findings of other studies on similar organizations and topics. The findings further presented new insights on strategic planning risk factors. Strategic planning risks were categorized according to organization-based factors, environmental factors and planning factors. For analysis purposes, the parastatals were categorized according to the nature of operations; being regulatory and sector support parastatals, production and marketing parastatals, and finance, training, research & development and allied services parastatals. The three groupings were compared for differences in strategic planning practices. Significant differences were noted in choice of strategies, with regulatory and sector support parastatals being significantly involved in various strategies. The differences among the categories, in terms of the strategic planning risk factors considered, were found to be statistically insignificant. However, slight differences were noted when the mean scores were plotted on a likert type profile.

From the study, it was found that although strategic planning was widely practiced, there was a further need to consider the risks that were involved. Recommendations were made for enhanced risk-based strategic planning mechanisms and practices in public sector organizations, as well as the identification of areas for further research.

# CHAPTER ONE: INTRODUCTION

## 1.1 Background

The concept of strategic management has grown in stature and importance over time, and has now covered all facets of business management as well as various industries and sectors (Ansoff, 1990). Conceptually, strategic management is an important interface between an organization and its operating environment. For any organization to survive and grow in an ever-changing competitive environment, it must establish proactive management styles that enhance its competitive position within its industry. The use of strategic management is essential for effective organization performance in today's changing environment (Wheelan & Hunger, 1995).

Moore (1995) argues that the concept of corporate strategy is also applicable to public sector executives. Public sector organizations have been plagued by a myriad of problems, ranging from Government interference and internal malaise, to budgetary constraints (Aseto and Okello, 1997). Consequently, they have had to develop corporate plans outlining their strategies for ensuring they achieve their stated objectives. In order that parastatals' strategic plans become achievable, it is important that the process be done considering the likelihood of success or failure.

Beyene and Otobo (1994) recognize that in the African economic context, public enterprises are heavily relied on as vehicles of development and their importance cannot be underestimated. The Working Party on Government Expenditures of 1982, chaired by Philip Ndegwa emphasized the need for improved productivity and efficiency of State

Corporations. There was also emphasis on the need to review the State Corporations to determine the need for them and for divesture of Government from the commercial ones (Ndegwa, 1991). Such committees have led to various parastatal reforms that have seen state corporations undergoing rationalization programmes, as some were transformed into private companies. Under the structural adjustment programmes (also referred to as liberalization) adopted by the Government, the private sector is expected to play a bigger role in areas that were previously the preserve of public sector organizations. An example of the divesture process was the splitting of Kenya Posts and Telecommunications Corporation (KP&TC) into three new groups; Telkom Kenya, Postal Corporation of Kenya and the Communications Commissions of Kenya. The government is looking for a strategic investor to 26% of Telkom Kenya with another 20% to be floated on the NSE (African Review of Business & Technology, 1999).

Under the conditions stated above, strategic plans are subject to become unrealizable given changes in organizational factors and/or environmental factors. Managers in public sector organizations must understand risk in order to optimize the balance between risk and reward, thereby generating incremental value. This study is intended to capture the state of risk awareness and management with regard to both qualitative and quantitative factors.

## 1.2 The Research Problem

Previously, research studies that have been carried out on strategic management practices in different African countries such as Kenya (Aosa, 1992; Karemu, 1993; Kang'oro, 1998), Nigeria (Adegbite, 1986; Fubara, 1986) and South Africa (Woodburn, 1984). There is also adequate literature covering strategic planning by authors like Steiner (1979), Ansoff & McDonnell (1990), Pearce & Robinson (1999) and Johnson & Scholes (2002), to name but a few. However, the concept of risk measurement and management in strategic planning is not so well documented. This research project has drawn on the risk management concepts from the developed countries as presented by Johnson and Scholes (2002) and Carroll and Webb (2001), and the researcher is not aware of any studies on strategic planning risk management practices in Kenya.

The fact that strategic planning deals with the future, and the future is both uncertain and unpredictable, means that there is an element of risk in the strategic planning process (Thompson, 1997). Johnson and Scholes (2002) note that in accepting a particular strategy, the likely return from that strategy, and the risk that an organization faces in pursuing a particular strategy, are important to know. Thus strategic planners need to consider the risks associated with the respective strategies they develop, only then can they develop strategic plans that have a higher chance of success.

This study will focus on parastatals because of their unique objectives and operating environment, and also the fact that they too undertake strategic planning. Parastatals are established under The State Corporations Act (Cap 446), which gives them substantive autonomy, as is the case with private sector organizations established under the Companies Act (Cap 486). Further to this, their goals are usually of a wider scale concerning both the organization and the country as a whole, and their operations call for accountability to varied stakeholders, as recognized by Grosh (1991), Bradley (1979) and Bavon (1999).

## 1.3 Objectives Of The Study

The study will aim to give an insight into the strategic planning risk awareness and management practices in selected Kenyan parastatals. The specific objectives will be to:

i) Establish the risk assessment factors in strategic planning in selected parastatals.

ii) Establish the factors influencing risk assessment in strategic planning in the selected parastatals.

## 1.4 Significance Of The Study

The study will be helpful in the following ways:

i.) Managers, especially those in the public sector, will find the study useful in terms of increased awareness of risk factors critical to successful strategic planning. This should help in the development of better strategic planning practices in the public sector.

ii.) Researchers in strategic management and related fields will benefit from the new holistic approach to strategic planning, where strategic choices involve an analysis of the key risk factors.

iii.) This study will lay the foundation for further research in strategic management in the African context.

# CHAPTER TWO: LITERATURE REVIEW

## 2.1 Strategic Planning And Business

Strategic planning is an important aspect of strategic management (Pearce and Robinson, 1999). There is no acclaimed definition of the term, but it is generally accepted as incorporating a long-term view, involving an analysis of the interaction between an organization and its environment, and decision-making under uncertainty. Ansoff (1990), describes the strategic planning process as a multifaceted, complex, and time-consuming process. Regarding public strategic planning, Henry (2003) defines it as;

> "...the development, articulation, prioritization and the communication of significant policy goals by public organizations and the integration of those goals into the management, budgeting and performance measurement systems of public organizations".

Planning is useful in understanding the uncertain and unpredictable future, since it is not necessarily an extrapolation of the past (Ansoff, 1990; Thompson, 1997). Strategic planning determines how best an organization can achieve its desired ends in light of the opposing pressures exerted by competition, and by its own limited resources (Gilmore, 1962).

In developing, selecting and accepting a particular strategy, it is important that an organization considers the risk factors that may arise in pursuing a particular strategy (Johnson and Scholes, 2002; Thompson, 1997). This is the only way strategic planners can develop strategic plans that have a higher chance of success, or put another way, a lower chance of failure.

In business, strategic planning involves the determination of basic long-term goals and objectives of an enterprise, the adoption of selected courses of action, and the allocation of resources necessary for achieving these goals (Howe, 1993). Rowe et al (1994) argue that strategic planning is the key link between strategic management and the organization's external environment. Gilmore (1962) states that it is important to utilize a program of environmental surveillance to identify and size up future changes in the corporate environment and to sense the specific product opportunities and threats implicit in these changes. He refers to James Brian Quinn who defines strategy as a plan that determines how best an organization can achieve its desired ends in light of the opposing pressures exerted by competition and by its own limited resources. He suggests that the essence of strategic planning is the marshalling of an organization's resources so that its strengths are emphasized and the competitor's strengths minimized.

According to Ewing (1967), planning consists of developing the objectives and goals of a company; projecting economic conditions that will affect its future; formulating alternative courses of action to reach the goals; analyzing the consequences of these alternatives; deciding which programs are most feasible in the light of limited corporate resources; and devising methods for measuring progress towards a planned goal when a program has been chosen.

Steiner (1979) defines strategic planning from four viewpoints. The first is that planning deals with the futurity of current decisions; where strategic planning looks at the chain of cause-and-effect consequences over time of an actual or intended decision that a manager is going to make. Thus, the essence of strategic planning is described as the systematic identification of opportunities and threats that lie in the future. This is combined with other relevant data to provide a basis for better decision-making where a company can exploit the opportunities and avoid the threats. The second viewpoint states that it is a process that starts with the setting of organizational goals, defines the strategies and policies to achieve them, and develops detailed plans to make sure that the strategies are implemented so as to achieve the ends sought. The strategic planning process is systematic in the sense that it is organized and conducted on the basis of an understood regularity. Time is usually set aside for the development of strategic plans. However, the strategy formulation process should be continuous since changes in the business environment are continuous. It should be noted that the plans need not be changed everyday, but the thought about planning must be continuous and supported by appropriate action when the need arises. Thirdly, strategic planning is more of a thought process than a prescribed set of processes, procedures, structures or techniques. The managers and staff in an organization must believe strategic planning is worth doing, and therefore want to do it as best as they can. Lastly, he states that a formal strategic planning system links strategic plans, medium-range programs and short-range budgets and operating plans.

In their study of planning, Hunt and Brews (1999) list the main indicators of strategic planning as a mission statement; long term goals; annual goals; short term action plans and ongoing evaluation.

Thompson & Strickland (2001) state that developing a strategic vision and mission, establishing objectives, and deciding on a strategy are basic direction-setting tasks. They map out where the organization is headed, its short range and long-range performance targets, and the competitive moves and internal action approaches to be used in achieving the targeted business results. Together they constitute a strategic plan for coping with industry and competitive conditions, the expected actions of the industry's key players, and the challenges and issues that stand as obstacles to the company's success. In companies committed to regular strategy reviews and the development of explicit strategic plans, the strategic plan may take the form of a written document describing the industry's economics, key success factors, and drivers of change along with the company's strategic plan for dealing with its external and internal environment.

## 2.2 Shortcomings Of Strategic Planning

Strategic planning is not the answer to many managerial problems. Steiner (1979) identified some critical shortcomings of strategic planning. The first is that the actual environment may prove different from that expected. Since forecasting is not an exact science, plans that are based upon certain predictions that prove incorrect may fail. Internal resistance may also occur, where the introduction of a formal planning system raises anti-planning biases that can prevent effective planning. In large organizations, old ways of doing things, old rules, and old methods may be so entrenched that it is difficult to change them. The time of many people is occupied in strategic planning and costs are incurred for special studies and information. Planning is expensive and managers throughout the planning process must continuously apply a cost-benefit gauge. Formal strategic planning is not designed to get a company out of a sudden current crisis. There are inherent difficulties in planning itself, where planning requires a high level of imagination, analytical ability, creativity, and fortitude to choose and become committed to a course of action. In the end, plans tend to reduce initiative in a range of alternatives beyond the plans. Lastly, planning systems will probably not be effective when they are excessively ritualistic and formal; when line managers try to delegate the task to staff, when managers give lip service to planning but make their decisions without reference to plans, or when managers devote all their attention to short-range problems and neglect thinking about the future.

Strategic planning involves flirting with possible error. Managers know of other managers who were heavily penalized, including loss of jobs, because they made wrong strategic choices. Managers may perceive that it is less risky for them to avoid strategic planning. If one must plan, the problem becomes how to avoid error or, if there is error, how to attribute it to someone or something else.

Ewing (1967) asks what steps businessmen should take to ensure that people in the organization would carry out their plans enthusiastically. Here, the formal procedures established in a plan to help managers control, evaluate and direct operations should not be allowed to become separate in their minds from questions of individual and group behavior. Before a control or operating procedure is approved, managers should ask themselves how this would affect the way they hope employees will work together. Planners may think only of the formal, economic, physical resources side when they develop a program, but the other side – the human side – is present just the same. If the human side is not attended to properly, then the chances are that planning will not be successful.

Asch (1994) argues that planning processes within organizations have become too rational. He highlights the pervasive belief among many line and staff members that only quantifiable data are sufficiently reliable bases for planning. Critically important qualitative information, especially that regarding emerging societal values, lifestyle changes, new directions in technology, and so on, is frequently lost in the process. He further states that in the early stages, planning is usually open to a wide spectrum of information, and emphasis is placed on gaining fresh insight into emerging strategic issues. With time this looseness is regarded as inefficient. Steps are taken to improve planning effectiveness by making the process more routine and predictable. The dual forces of administrative efficiency and planning effectiveness pull in opposite directions, and there is a delicate balance between the two. As planning systems are made more efficient, the time devoted to creative thought is inevitably reduced.

Portfolio analysis, industrial organization economics and other similar techniques are powerful tools for competitive analysis. However their functions and limits are often ignored in the quest for certainty in strategic decision-making.

Rowe (1994) states that the problem with formal strategic planning systems is that they tend to become ends in themselves as they are institutionalized within the firm. When too much effort is focused on meticulously developing “optimal” strategies rather than on challenging the assumptions on which these strategies are based, the mechanica of preparing the plan quickly overshadow the substance of a strategy. In the end the result is an organization being paralyzed by its own strategic planning process. A rigid strategic plan can lead to misdirection; inefficiency and waste by superimposing artificial guidelines and rules that prevent managers from making needed changes.

According to Steiner (1979), it is important that strategic planning be flexible and adaptable in light of the ever-changing environmental conditions under which the organization exists. The view is also upheld by Thompson (1997), who asserts that in more turbulent environmental conditions, which are less predictable, strategic success requires flexibility, and the ability to learn about new opportunities and introduce appropriate changes continuously. Formal planning systems can still make a valuable contribution, but the plans themselves must not be inflexible.

## 2.3 Strategic Planning Risk

Risk can be defined as the possibility that the actual return will deviate from that which was expected (Van Horne, 1998). It is the surprise element in the actual return, the other element being the expected outcome. Risk occurs whenever a choice must be made and the potential outcomes involve uncertainty (Thompson, 1997). According to Ansoff (1988), our ability to foresee the future in any detail is limited to only certain foreseeable events, and we have every reason to expect that other events, unforeseeable at present, have a high likelihood of occurring. The foreseeable events also contain several elements of risk. First, assuming that the projections of future business conditions are accurate, the expectations of the firm's success in any given industry are at best probability judgments. The probable may not materialize and the organization may perform very differently from what was expected, doing much better than expected or failing altogether. Secondly, the projections of the business environment conditions on which these expectations are based are themselves estimates of the probable events. Thirdly, the activities the organization contemplates will impinge on those of other firms, which may react through competition and try to minimize the effectiveness of planned actions.

The likely return from a particular strategy is an important aspect of the acceptability of that strategy (Johnson and Scholes, 2002). Another aspect of acceptability is the risk that an organization faces in pursuing a particular strategy. Thompson (1997) states that when considering how an organization might develop in the future, both the desired and realistic objectives are essential considerations. Desired objectives relate to where the strategic leader and other decision makers would like to take the organization if it is possible to do so. Realistic objectives incorporate the influence of various stakeholders in the business; their expectations; the existence of suitable opportunities; and the availability of necessary resources. The issue of the risk involved in the alternative courses of action that might be considered is crucial. He goes on to describe the concept of the planning gap, which draws attention to the increasing risk that is typically associated with certain strategic alternatives. The planning gap is a gap filled in by a series of alternative courses of strategic action ordered in an ascending hierarchy of risk, and is constituted by the extent to which future products and markets are related to existing ones. The least risk alternatives seek to manage present products and services more effectively.

Figure 1: Risk Levels Within The Product and Market Matrix

| **Product** / **Market** | **Present** | **Related** | **Unrelated** |
|---|---|---|---|
| **Present** | Low risk | | High risk |
| **Related** | | | |
| **Unrelated** | High risk | | Excessive risk |

Source: Steiner (1979), P. 180

The highest risk alternative is diversification because it involves both new products and new markets (see Figure 1). However, in many industries, diversification may be the only feasible route to the achievement of high growth targets or the maintenance of present rates of growth in profits and sales revenues. Thinking about the extent of the initial gap between present strategies and ideal objectives enables mangers to consider how much risk would be involved in closing the gap and achieving target objectives. Some of the strategies considered might be neither feasible nor desirable, and consequently the gap might be too wide to close. Similarly the degree of risk, especially if a number of changes are involved, might be greater than the strategic leader is willing to accept. In these cases it will be necessary to revise the desired objectives downwards so that they finally represent realistic targets that should be achieved by strategic changes that are acceptable and achievable. Whilst undue risk should be avoided wherever possible, it is always important to accept a certain level of risk and set stretching targets for managers and businesses.

According to McMillan (1992), risk is inherent in any decision that commits resources for the prospect of future returns; avoiding risks means avoiding opportunities for gain. The avoidance of risk is not the aim of rational people, even if they are risk averse. Rather the aim is to find the right amount of risk. The people managing an organization must be made in some way personally accountable for their decisions in order to encourage them to make good decisions. But, to the extent that managers are held accountable for their decisions, they bear the risk that things might turn out badly through no fault of their own. Thus the managers' decisions will reflect their own risk aversion.

Thompson (1997) also states that personality affects the willingness to accept and take a particular risk, and some managers may understand a situation better. He highlights some key criteria for decision making as: the attractiveness of each option to the decision maker; the extent to which the manager is prepared to accept the potential loss in each alternative; the estimated probabilities of success and failure; and the degree to which the decision maker is likely to be affected by the success or failure.

Thompson and Strickland (2001) state that different kinds of strategies involve different risks. Some of the risks associated with a focused strategy include the threat that competitors will find effective ways to match the focused firm in serving the target niche; the potential for the preferences and needs of niche members to shift over time towards the product attributes desired by the majority of buyers; the segment may also become so attractive it is soon inundated with competitors, intensifying rivalry and splintering segment profits.

Whereas McMillan (1992) states that the prescription for rational decision-making includes a listing of all the possible eventualities, Geisler (1962) asserts that there are non-probabilistic aspects of uncertainty, where decision makers do not know all the consequences attached to a given alternative, and also do not possess a complete ordering of alternatives for all possible sets of circumstances.

On strategic management in the government, Moore (1995) argues that no one can be sure what an organization will be capable of doing. Thus, in stating an organization mission one takes a gamble. How big a gamble a particular strategy involves can be measured by comparing its political and operational requirements to the existing political and administrative realities. The argument draws on the unexploited environmental possibilities and how the strategist can use subjective probability distributions to decide which strategies are easier to achieve.

Managers must be trained to guard against three types of unintended negative consequences of involvement in strategy formulation (Pearce and Robinson, 1999). First, the time that managers spend on the strategic management process may have a negative impact on operational responsibilities. Second, if the formulators of strategy are not intimately involved in its implementation, they may shirk their individual responsibility for the decisions reached. Thirdly, strategic managers must be trained to anticipate and respond to the disappointment of participating subordinates over unattained expectations. Sensitizing managers to these possible negative consequences and preparing them with effective means of minimizing such consequences will greatly enhance the potential of strategic planning.

### 2.4 Qualitative Measures Of Strategic Planning Risk

In order to understand and manage risk, it is vital that the elements constituting risk be identified. According to Carroll and Webb (2001), risk factors can be categorized as being technological, human, environmental, authoritarian, political, organizational or economic. These factors have a lot to do with qualitative aspects of the organization, which may not be identifiable in facts and figures, but can be stated through review reports and other analytical statements. Here the SWOT analysis can be used to identify such qualitative risk factors.

In practice, the SWOT analysis framework is frequently used to develop strategic plans given an organization's relevant strategic capabilities and the environmental circumstances around it (Pearce and Robinson, 1999; Johnson and Scholes, 2002). Strength is a resource, skill or other advantage relative to competitors and the needs of markets a form serves or anticipates serving, while a weakness is a limitation or deficiency in resources, skills and capabilities that seriously impedes effective performance. An opportunity is a major favorable situation in the firm's environment, while a threat is a major unfavorable situation in the firm's environment. Pearce and Robinson (1999) state that the SWOT analysis is based on the logic that an effective strategy maximizes an organization's strengths and opportunities but at the same time minimizes its weaknesses and threats. Thus, the qualitative aspects of risk in strategic planning can be identified through a critical review of the results of the SWOT analysis.

### 2.5 Quantitative Measures Of Strategic Planning Risk

Of importance also is the quantification of risk factors in the strategic plans. Johnson and Scholes (2002) state that the acceptability of a particular strategy is related to the level of risk involved in selecting a particular course of action. Accordingly, risk in strategic planning can be analyzed through key financial ratio projections and sensitivity analysis.

Table 1: Risk Criteria For Understanding Acceptability of Strategic Options

| **Risk criteria** | **Used to understand** |
|---|---|
| Financial ratio projections | Robustness of the strategy |
| Sensitivity analysis | Test the assumptions and robustness of the strategy |

Source: Johnson and Scholes (2002), P. 390

First, with regard to financial analysis, in order to get an insight of risk, organizations would need to do a projection of how key financial ratios might change if a specific strategic option were adopted. Financial ratios are relevant in view of the impact a particular strategy will have on the financial resources of the organization. Organizations in the public sector rely on funds from the Government and donor agencies. Thus the strategic plan would do well to outline relevant changes in a broad or detailed level. At the broadest level, an assessment of how the capital structure of an organization would change is a good general measure of risk. Useful ratios here are gearing ratios, profitability ratios and investment ratios. At a more detailed level, a consideration of the likely impact on an organization's liquidity is important in assessing risk. The useful ratios involved are liquidity ratio (short term credit risk) and use of assets ratio. Secondly, sensitivity analysis seeks to test how sensitive the predicted performance or outcome, such as profit, is to each of the important assumptions underlying a particular strategy. Thus it allows each of these assumptions to be questioned and challenged. In particular it seeks to test how sensitive the predicted performance or outcome is to each of these assumptions. It is a repetitive step-by-step test on each key assumption aimed at finding out whether extremes in conditions would alter the decision to pursue the particular strategy. The process helps develop a clearer picture of the risks of making particular strategic decisions and the degree of confidence managers might have in a given decision.

## 2.6 Strategic Planning In Public Sector Organizations

What essentially is a parastatal? According to Bradley (1979), an enterprise is public when the state or any other national, regional or local authority holds at least 50 per cent of the capital; it is under state control through a Government minister who reports to the National Assembly. Aseto and Okello (1997) state that the term parastatal, as used in Kenya, is more comprehensive and includes regulatory bodies, marketing boards, holding companies and non-commercial agencies such as educational and research institutions set up under one of several acts of Parliament. Most parastatals in Kenya are established under the State Corporations Act (Cap. 446 of the Laws of Kenya). They are important vehicles of development for Kenya, having contributed to 11.2% of Gross Domestic Product (GDP) at independence (Grosh, 1991). Their objectives are not to make profits, but to provide a public service in the public interest.

The Civil Service Reform Programme launched in August 1993 was aimed at improving overall efficiency and productivity in the Kenyan Civil Service (Kimemia and Ndambuki, 1997). The key components included staffing, service re-organization, pay and benefits, personnel management and training as well as financial and performance management. With this background, parastatals have had to develop strategic plans that would ensure their continued growth and survival.

Henry (2003) states that governments at all levels have adopted strategic planning extensively. Further, he agues that strategic planning is an attempt to reconcile the rationalist and incrementalist approaches to the problem of public policy formulation. The same view is upheld by Bavon (1999) who argues that strategic planning helps inject a business culture into public enterprises. It begins with an environmental scan and involves an analysis of the past, present and future events that have, and will have, an impact on the operations of the public enterprise. The corporate plan developed helps articulate the goals of the organization. In its 2000/2001 – 2002/2003 Corporate Plan, the Kenya Revenue Authority was able to outline the initiatives for effective utilization of its various resources in attaining its set objectives, which were enhancing revenue collection and quality service delivery.

The concept of strategy in the public sector has also been explored by Johnson and Scholes (2002); where they are largely differentiated from commercial organizations due to the fact that they are owned and controlled largely by the Government. The environment within which parastatals exist is characterized by critical factors that can impact negatively (or positively) on decisions made. The state-controlled enterprise may find its planning horizons determined more by political than by market conditions. These include Government control, donor pressure, public scrutiny, and unfavorable economic environment. There are also constraints on investment capital and therefore on bases of financing, and on the latitude that managers have to change strategies. Thus it is important to understand the power of different stakeholders and constraints on change. In theory, parastatals are supposed to be managed independently and without government interference, but in practice government interference is pervasive, and comes from different government ministries and other statutory bodies (Aseto and Okello, 1997). Kimenyi (1995) asserts that where the head of state usually appoints the top management, it means that they are not directly accountable to other private shareholders. This means that their behavior will almost certainly be influenced by the existing constraints facing the head of state, and the organization is exposed to a greater political risk.

The organizations are also subject to internal factors within their operational setups that can inhibit the achievement of strategic goals. These include inadequate financial resources, overtly elaborate organization structures, unclear operational policies, and poor internal communication channels among others.

Johnson and Scholes (2002) state that apart from the labor market, money market, suppliers and customers, a government agency also has a political market that approves budgets and provides subsidies. The implication here is that horizons of decisions may change and the analysis of strategies would require the norms of political dogma to be considered explicitly. Strategic decisions may take the form of striving for more and more efficiency so as to retain or improve service on limited budgets. Here careful deployment and appropriate development of resources is important. Competition in the public sector takes the form of competing for resource inputs, typically within a political arena. The parastatals are under pressure to demonstrate best value in outputs. Developments in management practice in the public sector such as performance indicators and competitive tendering were attempts to introduce elements of competition in order to encourage improvements in value for money. The criterion of acceptability to stakeholders of strategic choices is of greater significance in the public sector.

Aosa (1996) states that, within the African context, organizing and controlling seem to be performed first, followed by planning and leading. Some factors leading to this include: the fact that firms in developing countries acquire ready technology rather than develop it; turbulence of the local environment; paucity of information; and hostile government activity. Thus the existence of sophisticated planning systems in a company does not mean that such systems would be used effectively.

The multidimensional nature of objectives presupposes financial investments, the marketing of products and services, financial returns, a system of business accounts and a social return, which the enterprise must account for (Aseto and Okello, 1997). In this sort of environment, a lot of attention is given to targets, to measurement against them, and to productivity gains, as well as to the continued relevance and value of specific activities and programs.

One major problem with African public enterprises is that they failed to internally generate a sufficient amount of working capital, and demonstrated a limited ability to finance new or replacement investments or even maintain existing ones (Beyene and Otobo, 1994). This trend of poor performance led to the calls for privatization of public enterprises. In the energy sector, for example, Kenya Power and Lighting Company (KPLC) created KenGen, a public power generator. This move maintained KPLC as a public/private concern and broke its monopoly of power generation and distribution. It was hoped that the split would improve efficiency and effectiveness in the Kenyan energy sector. However, the energy sector is still experiencing problems, since according to Grosh (1987), though there is a strong connection between efficiency and financial performance, efficient operation is a necessary but not a sufficient condition for sound financial performance.

Beyene and Otobo (1994) recognize that in order to restore public confidence and trust in African public administration, an important element is to develop regulatory and oversight capacity, that are essential to managing the various challenges the organizations face. Thus, through privatization, a greater requirement was to inject a private sector mentality, which included developing plans that could ensure organizational objectives are realized, whilst managing the challenges of the twenty first century.

## 2.7 Conceptual Framework

Risk assessment is important right from the strategy formulation stage, where the organization can review the strategic plans and, in light of associated risks, decide on which choices to make. An organization can analyze both qualitative and quantitative risk factors, with the aim of understanding and therefore managing them. The risk variables to be studied will be categorized under both qualitative and quantitative factors.

The qualitative category covers environmental factors such as technology, the economic environment, social repercussions, the ecological environment, legal issues and the political environment. Here also are organizational factors such as organization structure changes, communication, internal resistance, the management of current crises and implementation capacity. Lastly, there are planning factors, which include time factor, planning costs, difficulty in planning, inherent rigidity of plans, ritualistic and formal planning systems. The quantitative category has to do with financial implications, and include issues on capital structure, liquidity, costs of operations and returns on investments.

Business risk assessment culminates in a sensitivity analysis, where the assumptions made at the planning stage can be tested. Of importance is the impact of the strategy on business activity and changes in the businesses assets or resources.

Risk assessment has been seen as a vital consideration in developing strategic plans that are achievable. Parastatals have, for a long time, been considered as drains of national resources. In addition, under the liberalized economic conditions, they now face the challenge of open-market competition where weak strategic plans could render them redundant. For them, it is important that the strategic plans developed be holistic and realistic enough to warrant the commitment of public resources.

# CHAPTER THREE: RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter sets out the research design, population and survey techniques used in this study to achieve the stated objectives. The main objectives of this study were to:

a) Establish the risk assessment factors in strategic planning in selected parastatals.

b) Establish the factors influencing risk assessment in strategic planning in the selected parastatals.

## 3.2 Research Design and Scope of the Study

This research was an exploratory study intended to provide an insight on how parastatals in Kenya measure and manage risk in strategic planning. The exploratory research design is useful where the objective of the research is to gain insight into an issue (Churchill, 1991). For purposes of obtaining adequate and relevant information in as short a time as possible, this study was cross-sectional in nature. Cross-sectional studies are useful where the researcher faces budget and time constraints (Cooper & Emory, 1995).

The study population consisted of parastatals operating under the State Corporations Act (GOK, 1987) and also those parastatals that have been exempted from the provisions of the said Act. Due to time and resource constraints, the focus of this study was on parastatals whose headquarters were in Nairobi. The Inspectorate of State Corporations listed 105 parastatals under its jurisdiction as at September 2002, of which 82 were located in Nairobi and its environs. A census was conducted to enable the study get adequate data feedback for purposes of analysis, and enable the drawing of accurate conclusions on strategic planning practices in public sector organizations.

### 3.3 Survey Method

The data collected in the course of this study concerned the risk factors associated with strategic planning in various public sector organizations in Kenya. The study aimed at identifying the various strategic planning practices of these organizations, the general strategies chosen, associated risk factors and how they dealt with the risks identified.

There are three survey data collection techniques, being personal interview, telephone interview and mail survey (Cooper & Emory, 1995). Each of these techniques has advantages and disadvantages. Personal interviews offer more versatility and are cheaper in terms of time and money, in comparison to observational methods. The choice of data collection method should be dictated by the objectives of the research, required data and available resources (Nachmias and Nachmias, 1981).

Churchill (1991) and Cooper & Emory (1995) identify surveys and observation as the major methods of collecting primary data. Churchill (1991) further argues that the choice of method to be used is largely determined by the nature of the data to be collected. For this study, the survey method was found to be superior to other methods because of the following reasons:

a) This method was the lowest cost option and required minimal staff.

b) In most cases it was possible to contact otherwise inaccessible respondents, in this case Chief Executive Officers.

c) Many of the study variables could not be directly observed, as required under observation methods.

### 3.4 Data Collection and Analysis

Primary data was collected using a standardized questionnaire to allow comparison of results among the various organizations (See Appendix V). The questionnaire was based on the exploratory research design, where both quantitative and qualitative data was necessary, and where the survey method was the best-suited data collection method. All the questionnaire items were originally formulated, consisting of both closed and open-ended questions, since I needed to collect both standardized and supplementary data. The research questionnaires were administered to the Chief Executive Officers, Corporate Planning Managers or to any other relevant officer as the researcher was directed. They were dropped at the organization's offices, to be filled out by the intended respondent and picked up later.

The data on the organizations' characteristics and practices was meant to allow for tests on the degree of awareness of strategic planning risks within parastatals. To this end, further statistical analysis was necessary to bring out any significant differences between the three sub-sectors of the population. Since most of the data was ordinal and categorical, non-parametric tests were found to be more appropriate. Here the $t$ test was used. Likert type profiles were drawn to indicate any visual differences in analysis of the risk factors.

# CHAPTER FOUR: FINDINGS AND DISCUSSION

## 4.1 Introduction

This chapter outlines the findings of the research study based on the questionnaires administered to the Senior Managers of various parastatals. The results are presented alongside discussions and comparisons to other studies on strategic planning and risk measurement practices. Also incorporated are presentations using Likert type profiles.

The data collected was summarized using histograms, tables and percentages. It was then analyzed using descriptive statistics, which entailed the use of proportions, percentages and frequency distributions. These were deemed adequate since the study was exploratory in nature.

I located and contacted Seventy-seven of the parastatals that constituted my population (See Appendix I). Thirty-nine questionnaires were filled and returned. This response rate (51%) was acceptable when compared to those achieved in similar studies, such as Kang'oro (1998) 38%, Aosa (1992) 15%, Adegbite (1986) 5%, Woodburn (1984) 7%, and Wee et al (1989) 3%.

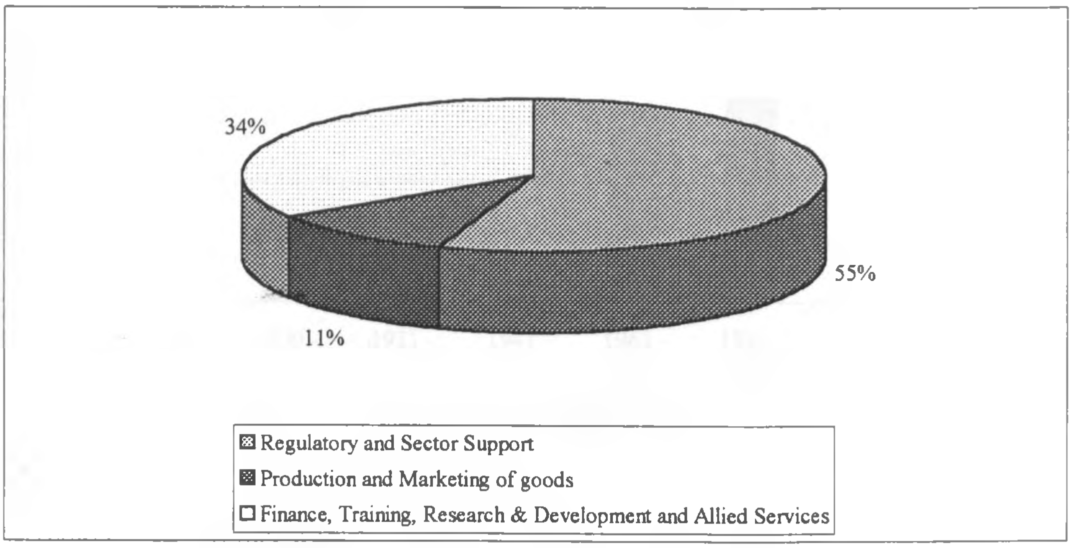
## 4.2 Profiles of Organizations Under Study

The parastatals studied had various characteristics, such as years of establishment, functions and geographical spread. The whole population was first analyzed in order to draw a suitable basis for comparisons between groups of these parastatals. Thus, the most suitable basis of subdivision was found to be their functional roles, being:

1. Regulatory and Sector Support
2. Production and Marketing of Goods
3. Finance, Training, Research & Development and Allied Services

The figure 2 below shows the distribution of parastatals according to nature of operations.

Figure 2: Distribution of respondents by nature of operations

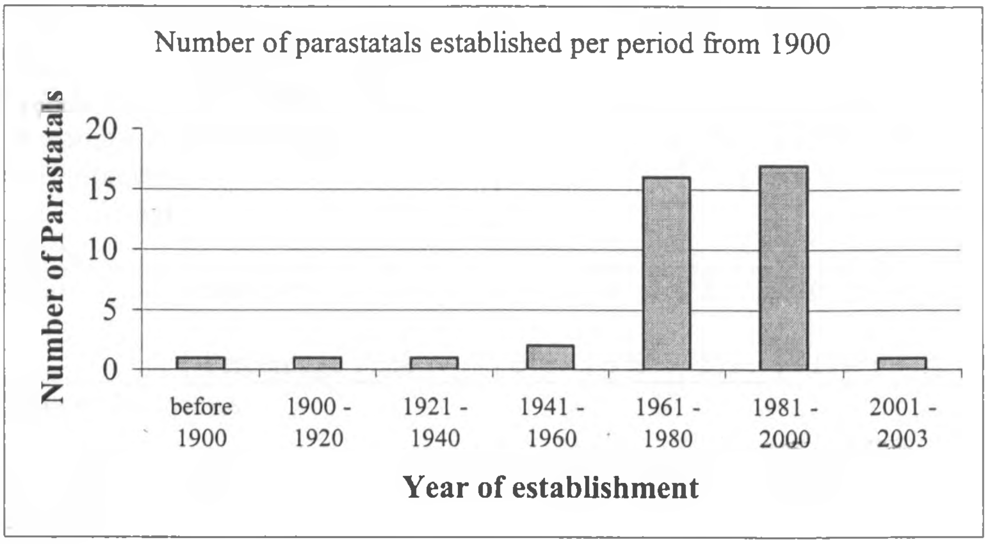



Source: Interviews

Of the thirty-eight respondents, twenty-one (55%) of the parastatals were of regulatory nature, meaning that there was emphasis on the oversight role of these quasi-Government organizations (see Figure 2). This oversight role allows other players in the various economic sectors to operate efficiently and effectively without direct Government interference, while allowing for recourse on Government policy issues. The next category of Finance, Training, Research & Development and Allied Services consisted of thirteen (34%) parastatals. This indicates the limited involvement of Government on such activities that complement (and even compete with) the private sector organizations. Parastatals in this category exist to offer affordable services to citizens. Only four (11%)

of the parastatals were involved in production and marketing of goods. This indicates the minimal involvement of the Government in a sector that has proved unprofitable due to high inefficiency, corruption and an aggressive private sector. Parastatals in this category face imminent demise as privatization sets in.

Figure 3: Distribution of parastatals by Year of Establishment




Source: Interview questionnaires

From Figure 3, sixteen (41%) of the parastatals interviewed were established between 1961 and 1980, while seventeen (43.6%) were established between 1981 and 2000. Of the sixteen established between 1961 and 1980, seven (18%) were regulatory and sector support parastatals, while five (13%) were parastatals under the finance, training, R&D and allied services category. While of the seventeen established between 1981 and 2000, twelve (31%) were from the regulatory and sector support parastatals (Table 2).

Table 2: Comparison of years of establishment

| | | Years of establishment | | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| Nature of operations | | Before 1900 | 1901 - 1920 | 1921 – 1940 | 1941 – 1960 | 1961 – 1980 | 1981 – 2000 | 2001 - 2003 | |
| Regulatory and sector support | Number | | | | 1 | 7 | 12 | 1 | 21 |
| | Percentage | | | | 3% | 18% | 31% | 3% | 54% |
| Production and Marketing of Goods | Number | 1 | | | | 4 | 3 | | 8 |
| | Percentage | 3% | | | | 10% | 8% | | 21% |
| Finance, Training, Research & Development and Allied Services | Number | | 1 | 1 | 1 | 5 | 2 | | 10 |
| | Percentage | | 3% | 3% | 3% | 13% | 5% | | 26% |
| Total | Number | 1 | 1 | 1 | 2 | 16 | 17 | 1 | 39 |
| | Percentage | 3% | 3% | 3% | 5% | 41% | 44% | 3% | 100% |

Source: Interviews

The above trend can be explained by the post-independence intentions to form organizations that would supplement Government development efforts, and also the drive towards establishing more efficient regulatory bodies in the 1990s. Further, the establishment of 43.6% between 1981 and 2000 can be explained by the Government's adoption of recommendations by donors, and local pressure, to have more autonomous organizations away from central government organs being responsible for oversight in various economic sectors. Thus, from the data it is evident that the Government made deliberate attempts to set up regulatory bodies during the liberalization era (Table 2).

Majority of the parastatals (42%) had a countrywide organization spread, while 24% of the respondents were based in major towns, as shown in Table 3 below:

Table 3: Organization spread of parastatals in the study

| Organization spread | Number of Parastatals | Percentage |
|---|---|---|
| Country-wide | 16 | 42% |
| City | 13 | 34% |
| Major towns | 9 | 24% |
| Total | 38 | 100% |

Source: Interviews

### 4.3 Strategic Planning In The Public Sector

In the study thirty-four (87.2%) of the parastatals had strategic plans while five (12.8%) did not. The presence of strategic plans differed across the different parastatal groupings studied. Of those that had strategic plans, eighteen (46%), forming the majority, were from the regulatory and sector support parastatals, eight (21%) were parastatals concerned with the production and marketing of goods, and eight (21%) were parastatals undertaking finance, training, research and development and allied services (Table 4).

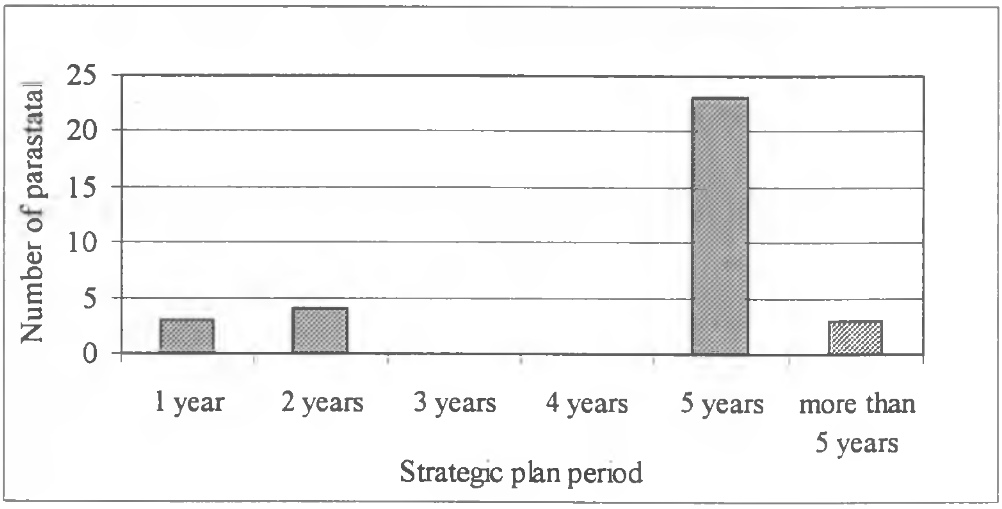
Table 4: Presence of strategic plans across parastatal categories

| Nature of operations | | Strategic plan present | Strategic plan absent | Total |
|---|---|---|---|---|
| Regulatory and sector support | Number | 18 | 3 | 21 |
| | Percentage | 46% | 8% | 54% |
| Production and Marketing of Goods | Number | 8 | | 8 |
| | Percentage | 21% | | 21% |
| Finance, Training, Research & Development and Allied Services | Number | 8 | 2 | 10 |
| | Percentage | 21% | 5% | 26% |
| Total | Number | 34 | 5 | 39 |
| | Percentage | 87% | 13% | 100% |

Source: Interviews

Thus strategic planning was actually being carried out widely in the public sector, as stated by Bavon (1999) and Henry (2003). This is indicative of the realization that even competitive in the modern operating environment. It is also notable that all parastatals concerned with production and marketing of goods had strategic plans. Kang'oro (1998) studied selected public sector organizations in Kenya and found that they had strategic plans. Adegbite (1986) studied twenty organizations in Nigeria and noted that most of them had fairly well developed corporate planning systems in operation. Thus strategic planning is applicable in the public sector as argued by Bavon (1999) and Johnson & Scholes (2002).

Figure 4: Distribution of parastatals by strategic planning period




Source: Interviews

Of significance is the fact that twenty-three (70%) parastatals had strategic plans that covered five years, while four (12%) had three-year strategic plans (See figure 4). Thus majority considered five years adequate for making feasible projections about their organizations and operating environments. Given the degree of turbulence, this is a realistic period for strategic planning. The above findings were contrary to Fubara (1986), Aosa (1992), Karemu (1993) and Kango'ro (1998) who found that most firms engaged in short term planning.

Table 5: Time spent by parastatals on preparation of strategic plans

| Time spent planning | Number of Parastatals | Percentage |
|---|---|---|
| Less than six months | 10 | 26% |
| Six months to one year | 13 | 33% |
| More than one year | 6 | 15% |
| Cannot tell | 2 | 5% |
| Total | 31 | 100% |

Source: Interviews

Ten (26%) of the respondents spent less than six months in the strategic planning process, but a majority (33%) spent between six months to one year preparing the strategic plans. In looking at the above results, it is likely that the longer it takes to develop strategic plans, the more the exposure of the organization to planning risk factors, such as time and resource costs (Table 5).

Table 6: Responsibility for strategic planning in parastatals

| Strategic Planner(s) | Number of Parastatals | Percentage |
|---|---|---|
| Corporate planning manager | 9 | 27% |
| Senior management team | 18 | 55% |
| Individual departments | 3 | 9% |
| Administration manager | 3 | 9% |
| Total | 33 | 100% |

Source: Interviews

From Table 6 above, it is evident that since most parastatals did not have strategic planning managers, per se, then they involved teams of senior management staff in the strategic planning process. However, it is worth noting that 27% of the parastatals had managers directly responsible for strategic planning. The organizations studied by Kang'oro (1998) and Adegbite (1986) also had corporate planners, who were staff members conversant with strategic planning techniques.

Thirty-four parastatals answered the question regarding sources of information used for strategic planning. The most frequently used sources were the organizations' financial reports (79%) and Departmental performance reports (79%). Other sources included market information publications, and previous/other strategic plans. Table 7 below shows the frequencies of responses.

Table 7: The sources of information used in strategic planning

| **Sources of information** | **Number of Parastatals** | **Percentage** |
|---|---|---|
| Organizational financial reports | 27 | 79% |
| Human Resources Statistics | 25 | 74% |
| Departmental Performance Reports | 27 | 79% |
| Statutory Instructions/Legislation | 25 | 74% |

Source: Interviews

Out of thirty-two organizations, twenty-nine (91%) carried out internal checks or audits on the various sources of information used in strategic planning. Only three (9%) did not carry out internal checks or audits of the information. This reveals that a majority was aware of the likely pitfalls of using unverified information for strategic planning, and took measures to reduce the risk exposure by carrying out internal checks or audits.

Table 8: Information checking systems in parastatals

| **Information checks method** | **Number of Parastatals** | **Percentage** |
|---|---|---|
| Management reviews | 12 | 48% |
| Organization wide reviews | 4 | 16% |
| Stakeholder reviews | 4 | 16% |
| External audits | 3 | 12% |
| Expert plenary reviews | 2 | 8% |

Source: Interviews

The high dependence on management reviews (48%) for verifying the information used for strategic planning shows the inward looking nature of strategic planning in parastatals (Table 8). Expert input is limited, as shown by only three (12%) relying on external audits while two (8%) held plenary sessions with external experts to deliberate on the impact of the information sources.

To a large extent, top and middle management were significantly involved in the strategic planning process of the respondent organizations. Of those interviewed thirty (88%) had their top management significantly involved in strategic planning, eighteen (56%) had their middle level management significantly involved, while the level of involvement for technical staff in strategic planning was not quite significant. Lower cadre staff involvement in the strategic planning process was fairly low. This participatory trend was also noted by Fubara (1986), Adegbite (1986), Aosa (1992) and Karemu (1993). This significant participation can be explained by the context of management in Africa, where the emphasis is on power, authority and responsibility being centralized at the top of most organizations.

Fifteen (46%) of the respondent organizations reviewed their strategic plans quarterly, while eight (21%) carried out these reviews once a year. This indicates that more parastatals were serious about realizing their strategic goals. Adequate reviews are one way to ensure that the organization stays on course, and also allows for remedial action should any changes occur. As Steiner (1979) and Thompson (1997) argued, strategic plans need to be flexible, and adequate reviews encourage organizations to ensure such flexibility.

In the course of strategic planning, the managers involved were fairly prepared to deal with negative consequences of the process. Of those interviewed fifteen (44%) were trained on how to handle employees' resistance to the strategic plans while only seventeen (50%) were prepared on how to handle unattained expectations. This indicates a fair state of awareness about the consequences of strategic planning being accepted and being well handled by managers and employees alike. The findings are fairly consistent with the statement by Pearce and Robinson (1999) that it is important that managers be trained to anticipate and respond to possible negative consequences and subordinate resistance.

The degree of Government influence in most cases was very significant with regard to shareholding (81% of respondents), appointment of board members (87% of respondents) and appointment of chief executive officers (90% of respondents). The Government's direct influence of appointment of heads of departments within the public organizations was fairly significant (47%). The above may have adverse implications on strategic choice, where some strategies are formulated along Government policy that may not support the objectives as preferred by the organization's management. The result may be undue influence as stated by Aseto and Okello (1997).

The SWOT analysis strategic planning framework was used in twenty five (86%) of the organizations interviewed, while the others used situation analysis and hybrid approaches. This was consistent with the findings of Kang'oro (1998). This popularity of the SWOT analysis may be attributed to its simplicity of use and the fact that it was one of the earlier strategic planning tools in business (Pearce and Robinson, 1999; Johnson and Scholes, 2002).

When it came to recognizing the shortcomings of the particular strategic planning framework used, most organizations (24%) were concerned about environmental variations (turbulence), which could render the strategies developed redundant in future. The table below shows the response frequencies:

Table 9: Shortcomings concerned with strategic planning frameworks

| **Key shortcomings of strategic planning framework** | **Number of Parastatals** | **Percentage** |
|---|---|---|
| Unsure/no weaknesses identified | 9 | 31% |
| Environmental variations | 7 | 24% |
| Data/model weaknesses | 5 | 17% |
| Time constraints | 2 | 7% |
| Financial constraints | 2 | 7% |
| Lack of training | 1 | 3% |
| Organization weaknesses | 3 | 10% |

Source: Interviews.

Despite environmental variations being recognized as a serious shortcoming that would affect the strategic planning framework, most of the organizations (31%) were not aware or sure of the weaknesses concerned with the same. This meant that a majority of the organizations were exposed to the risks inherent in the strategic planning framework used.

Table 10: General strategies selected by parastatals

| General strategy | Number of Parastatals | Percentage |
|---|---|---|
| Product Development | 18 | 60% |
| Market Penetration | 16 | 53% |
| Diversification | 15 | 50% |
| Downsizing | 14 | 46% |

Source: Interviews

From Table 10 above, product development and market penetration were the most popular strategies adopted by parastatals, being adopted by 60% and 53% of the organizations, respectively. Diversification (50% of parastatals) was adopted where new products and markets were sought. This had a lot to do with the need for such organizations to develop their capabilities to adequately carry out their mandates in the various sectors of the economy. Considering their intermediary roles, the parastatals have had to develop programmes that enhance their delivery systems, while ensuring they remain relevant to society and the changing environment. The findings are consistent with those of Kang'oro (1998) who reported that most public sector organizations had various strategies for their operations. Downsizing (46%) was adopted in organizations that had been in existence for longer or those that were formed out of taking up the functions and resources of former Ministerial Departments. This strategy was more concerned with rationalization of the organization in accordance with the liberalized economic environment, an observation similar to that of Karimi (2002).

Table 11: Comparison of strategies across parastatal categories

| Nature of operations | | Product development | Market penetration | Diversification | Downsizing |
|---|---|---|---|---|---|
| Regulatory and sector support | Number | 8 | 8 | 7 | 7 |
| | Percentage | 45% | 50% | 47% | 50% |
| Production and Marketing of Goods | Number | 4 | 5 | 2 | 4 |
| | Percentage | 22% | 31% | 13% | 29% |
| Finance, Training, Research & Development and Allied Services | Number | 6 | 3 | 6 | 3 |
| | Percentage | 33% | 19% | 40% | 31% |
| Total | Number | 18 | 16 | 15 | 14 |
| | Percentage | 100% | 100% | 100% | 100% |

From Table 11, it can be seen that all the strategies were popularly adopted by parastatals whose operations were of a regulatory and sector support nature. Since most were formed more recently (after 1981), then they adopted various strategies to deal with the challenges of the new liberalized environment. Production and marketing parastatals were most concerned with market penetration strategies. Parastatals under the category of finance, training, research & development and allied services featured prominently under diversification strategies. This was explained by the nature of diminishing returns from their present lines of business that forced the organizations to seek better opportunities elsewhere.

## 4.4 Strategic Planning Risk

The organizations studied, did to an extent, identify certain risks that arose due to the selection of particular strategies. Table 12 below shows the distribution of the various risk factors depending on the strategic direction taken by the organization.

Table 12: Risk factors associated with particular strategies

| | Risks identified | Number of parastatals | Percentage |
|---|---|---|---|
| Market Penetration Risks | Structural rigidity | 1 | 9% |
| | Market resistance | 1 | 9% |
| | Competition | 2 | 18% |
| | High costs | 4 | 36% |
| | Adverse external threats | 3 | 27% |
| Total | | 11 | 100% |
| Product Development Risks | Data weaknesses | 1 | 7% |
| | Product failure | 2 | 13% |
| | Environmental changes | 1 | 7% |
| | Social resistance | 3 | 20% |
| | High costs | 3 | 20% |
| | Time constraints | 1 | 7% |
| | Market resistance | 1 | 7% |
| | Inadequate resources | 3 | 20% |
| Total | | 15 | 100% |
| Diversification Risks | Market resistance | 1 | 10% |
| | Restrictive Government influence | 3 | 30% |
| | Unknown market challenges | 2 | 20% |
| | High costs | 2 | 20% |
| | Political resistance | 2 | 20% |
| | | 10 | 100% |
| Downsizing Risks | Short-term effect | 2 | 18% |
| | De-motivation of staff | 2 | 18% |
| | Business losses | 2 | 18% |
| | Weakened organization capacity | 3 | 28% |
| | Staff resistance | 1 | 9% |
| | Political resistance | 1 | 9% |
| Total | | 11 | 100% |

Source: Interviews

The findings, as shown in table 12, support the argument by Thompson and Strickland (2001) that different kinds of strategies involve different risks. Of importance is the fact that planners were aware of the high costs associated with higher risk strategies, especially diversification, and also the inherent weaknesses within their organizations that impacted on implementation capacity. Also, it is evident that most risk emanates from external sources and the environment, which is unknown or unpredictable.

Seventeen respondents (52%) had their Chief Executive Officers being directly responsible for identifying and managing strategic planning risk factors, while only nine (27%) had the Planning Manager being responsible for the same. This is indicative of the wide functional responsibilities given to the Chief Executive Officers in parastatals, and could contribute to some of the inherent organization weaknesses.

Of twenty-nine respondents, thirteen (33%) used probabilistic methods in identifying all the eventualities in strategic planning, while five (13%) used non-probabilistic methods. Eleven (28%) did not know how their strategic planners identified all the eventualities. This implies that probability distributions are useful tools in strategic planning analysis and evaluation of likely outcomes of particular strategies. However, a large number of parastatals did not know how to identify all the possible eventualities, indicating that strategic choices were not adequately analyzed for possible consequences, contrary to the prescription for rational decision making as argued by Geisler (1962) and McMillan (1992).

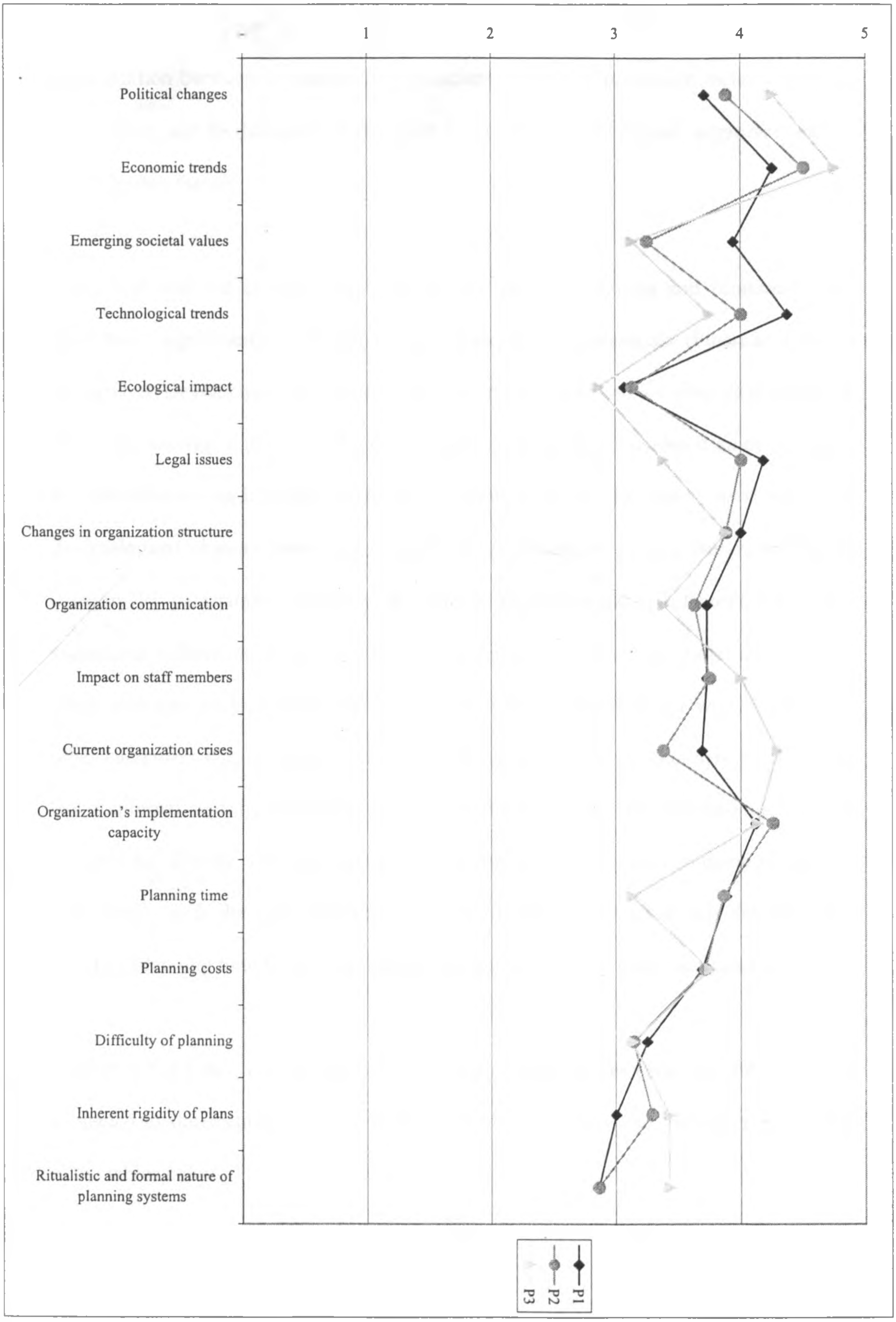
In the course of strategic planning, twenty-one (62%) of the respondents did explicitly make planning assumptions, while thirteen (38%) did not. Strategic planning highly involves making assumptions about the organization and its operating environment. The results show that majority of organizations make such assumptions when planning, and since these form the basis of the plans, such assumptions would be easy to amend when carrying out reviews of the strategic plans. The use of assumptions also allow for analysis of varied scenarios under which the organization's operate, as stated by Johnson and Scholes (2002).

Arising from the planning assumptions, risks were identified by way of organization analysis in nine organizations (23%), environmental analysis in seven organizations (18%), while twenty-two organizations (56%) did not answer this question. Thus organizations did to a greater extent look within themselves to identify manageable risks. However, the large non-response rate indicates a lack of awareness on how to manage risks in many parastatals.

The findings on risk factor analysis were plotted on a Likert type profile, and the graph is represented in Figure 5. The graph is a visual representation intended to show any significant differences between the sub-populations identified in 4.2.

Key to figure 5:
P1 - Regulatory and Sector Support
P2 - Production and Marketing of Goods
P3 - Finance, Training, Research & Development and Allied Services

Figure 5: Likert type profile for parastatals' risk factors



From Figure 5, it can be observed that there were subtle differences in risk factor consideration between the three sub-populations. The more prominent differences noted in the study will be discussed at this point in terms of environmental, organizational and planning risk factors.

First, analyzing the environmental risk factors, political changes and economic trends were more significantly considered among category P3 parastatals (Finance, Training, Research & Development and Allied Services) in comparison to the other two categories. However, emerging societal values were more significantly considered among category P1 (Regulatory and Sector Support) as compared to the other two categories. Technological changes were more significantly considered as risk factors among the category P1 parastatals. Secondly, in terms of organizational risk factors, the slightly significant differences arose in terms of the consideration of current organization crises, where category P3 parastatals highly considered this as a risk factor while those in the other categories did not consider this factor to the same extent. This may be due to the use of internal capacity and challenges of equipment obsolescence and the effects of staff downsizing. Thirdly, the three categories had few differences when it came to planning risk factors, with the only difference being that category P3 parastatals did not highly consider planning time to be a significant risk factor as did the other two categories.

Further to the Likert profile analysis, the raw and mean scores (See Appendix VI) were subjected to statistical analysis using the Students *t* statistic. The findings are presented in the tables below:

Table 13: Computation of differences between 'Regulatory and Sector Support parastatals' and 'Production and Marketing of Goods parastatals'

| RISK FACTORS | df | Computed *t* | Critical *t* | Conclusion |
|---|---|---|---|---|
| Political changes | 23 | -.343 | 2.07 | No significant difference |
| Economic trends | 22 | -.751 | 2.07 | No significant difference |
| Emerging societal values | 22 | 1.506 | 2.07 | No significant difference |
| Technological trends | 22 | 1.185 | 2.07 | No significant difference |
| Ecological impact | 21 | -.083 | 2.08 | No significant difference |
| Legal issues | 23 | .346 | 2.07 | No significant difference |
| Changes in organization structure | 22 | .312 | 2.07 | No significant difference |
| Organization communication | 21 | .228 | 2.08 | No significant difference |
| Impact on staff members | 21 | -.039 | 2.08 | No significant difference |
| Current organization crises | 22 | .514 | 2.07 | No significant difference |
| Organization's implementation capacity | 23 | -.265 | 2.07 | No significant difference |
| Planning time | 21 | .035 | 2.08 | No significant difference |
| Planning costs | 21 | -.049 | 2.08 | No significant difference |
| Difficulty of planning | 21 | .232 | 2.08 | No significant difference |
| Inherent rigidity of plans | 21 | -.552 | 2.08 | No significant difference |
| Ritualistic and formal nature of planning systems | 19 | .000 | 2.09 | No significant difference |

Source: Interviews

Table 14: Computation of differences between 'Regulatory and Sector Support parastatals' and 'Finance, Training, Research & Development and Allied Services parastatals'

| RISK FACTORS | df | Computed $t$ | Critical $t$ | Conclusion |
|---|---|---|---|---|
| Political changes | 23 | -1.028 | 2.07 | No significant difference |
| Economic trends | 22 | -1.532 | 2.07 | No significant difference |
| Emerging societal values | 22 | 1.560 | 2.07 | No significant difference |
| Technological trends | 22 | 1.404 | 2.07 | No significant difference |
| Ecological impact | 20 | .296 | 2.09 | No significant difference |
| Legal issues | 23 | 1.684 | 2.07 | No significant difference |
| Changes in organization structure | 22 | .296 | 2.07 | No significant difference |
| Organization communication | 21 | .636 | 2.08 | No significant difference |
| Impact on staff members | 21 | -.641 | 2.08 | No significant difference |
| Current organization crises | 21 | -.996 | 2.08 | No significant difference |
| Organization's implementation capacity | 23 | -.014 | 2.07 | No significant difference |
| Planning time | 22 | 1.244 | 2.07 | No significant difference |
| Planning costs | 22 | -.115 | 2.07 | No significant difference |
| Difficulty of planning | 22 | .248 | 2.07 | No significant difference |
| Inherent rigidity of plans | 21 | -.930 | 2.08 | No significant difference |
| Ritualistic and formal nature of planning systems | 19 | -.880 | 2.09 | No significant difference |

Source: Interviews

Table 15: Computation of differences between 'Production and Marketing of Goods parastatals' and 'Finance, Training, Research & Development and Allied Services parastatals'

| RISK FACTORS | df | Computed t | Critical t | Conclusion |
|---|---|---|---|---|
| Political changes | 14 | -.740 | 2.14 | No significant difference |
| Economic trends | 14 | -.683 | 2.14 | No significant difference |
| Emerging societal values | 14 | .170 | 2.14 | No significant difference |
| Technological trends | 14 | .475 | 2.14 | No significant difference |
| Ecological impact | 13 | .420 | 2.16 | No significant difference |
| Legal issues | 14 | .957 | 2.14 | No significant difference |
| Changes in organization structure | 14 | .000 | 2.14 | No significant difference |
| Organization communication | 14 | .369 | 2.14 | No significant difference |
| Impact on staff members | 14 | -.509 | 2.14 | No significant difference |
| Current organization crises | 13 | -1.375 | 2.16 | No significant difference |
| Organization's implementation capacity | 14 | .207 | 2.14 | No significant difference |
| Planning time | 13 | 1.094 | 2.16 | No significant difference |
| Planning costs | 13 | -.064 | 2.16 | No significant difference |
| Difficulty of planning | 13 | .027 | 2.16 | No significant difference |
| Inherent rigidity of plans | 12 | -.201 | 2.18 | No significant difference |
| Ritualistic and formal nature of planning systems | 12 | -.747 | 2.18 | No significant difference |

Source: Interviews

The $t$ test was carried out to find if there was any significance difference in consideration of various risk factors. The hypothesis tested ($H_O$: D = 0) states that there is no significant difference between the risk factors considered in strategic planning among the three groups of parastatals. The alternative hypothesis ($H_A$: D $\neq 0$) states that there is a significant difference.

The sub-populations were compared in pairs and the $t$ test done using SPSS computer package. The critical values for $t$ at the 0.05 level of significance are shown in Appendix VII, these values apply for each risk factor.

The assumptions made were that:

1. The sampled populations are normal
2. The sampled populations have equal variances

The $t$ test revealed that there is no significant difference between the risk factors considered in strategic planning among the three groups of parastatals.

The parastatals studied had various ways of dealing with the risks identified during the strategic planning process. Table 16 below summarises the risk management practices.

Table 16: Strategic planning risk management practices in parastatals

| Risk Management practices | Number of parastatals | Percentage |
|---|---|---|
| Use of monitoring and control systems | 5 | 28% |
| Organization programs enhancement | 4 | 22% |
| Review of strategic plans | 3 | 17% |
| Portfolio enhancement | 2 | 11% |
| Development of alternative assumptions | 2 | 11% |
| Involvement of stakeholders | 2 | 11% |

Source: Interviews

From table 16 above, monitoring and control systems were the most used method of risk management (28%), while stakeholder involvement (11%) was among the least used.

Table 17: How parastatals measure the likely return from particular strategies

| **Measurement tool** | **Number of parastatals** | **Percentage** |
|---|---|---|
| Feasibility analysis | 9 | 53% |
| Financial forecasting methods | 5 | 29% |
| Strategic plan analysis | 2 | 12% |
| Simulation analysis | 1 | 6% |
| Total | 17 | 100% |
| | | |

Source: Interviews

Out of seventeen organizations, nine parastatals (53%) used feasibility analysis to measure the likely return from the particular strategy selected (Table 17). This popular approach may be due to the project-based background against which most parastatals are formed, where feasibility is a key consideration. In the course of delivering most of their services, feasibility is a major consideration for parastatals since they consume Central Government funds, and also that they get varied material and financial support from donors. Where parastatals were self-financed from their operations, then financial forecasting models were used (29%).

Table 18: Sensitivity analysis in strategic planning

| | Number of parastatals where sensitivity analysis is done | Percentage |
|---|---|---|
| Impact on capital base | 22 | 56% |
| Impact on liquidity | 23 | 59% |
| Impact on profitability or surplus | 20 | 51% |
| Impact on use of organization's assets | 25 | 64% |
| Impact on investments | 21 | 54% |

Source: Interviews

From Table 18, most of the organizations' sensitivity analyses focused on the impact of the strategies on the use of their assets (64%) and on their liquidity positions (59%). This position shows how keen parastatals are to control the use of their assets and also the need to maintain liquidity positions that can enable them to run their operations without having to face financial crises. In the past parastatals have been seen as guzzlers of public funds and resources, and being largely inefficient organizations. Also of importance was the likely impact on capital structures (56%) and investments (54%), where in the past poor investment decisions have seen parastatals collapse and loose the country colossal amounts of money. Profitability was also considered (51%), but not given much weight since the goals of parastatals are largely beyond seeking profits. However, this was an important consideration among the service-oriented parastatals that faced competition from the private sector. Johnson and Scholes (2002) state that such sensitivity analysis allow the various assumptions to be questioned and challenged, which is important if feasible strategies are to be selected.

# CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

## 5.1 Conclusion

Having reviewed other literature on strategic planning and public sector organizations, the findings of this study indicate that strategic planning is prevalent in these organizations. As presented in Chapter Two, strategic planning is useful for public sector organizations in order that they achieve their varied objectives. Also they have to develop strategic plans that will be relevant to the interests of different stakeholders.

As per the objective of establishing the risk assessment factors in strategic planning, these were highlighted in the findings of the study under environmental, organizational and planning aspects. Also highlighted were the various factors that influenced risk assessment in the strategic planning processes of the parastatals studied. From the study, risk assessment can be influenced by the very nature of an organization's operations, the managers' levels of responsibility and various practices in relation to measuring and managing risk.

Strategic planning is inherently a process of making informed assumptions about the organization and its operating environment, hence risk is present and should be considered, measured and managed. Parastatals operate under varied Government policy guidelines that may render some strategies sub-optimal, as was the case with downsizing, where some organizations end up with weak organizations structures.

## 5.2 Recommendations for Policy and Practice

While most the parastatals studied had strategic plans, they did not have adequate risk assessment and management systems per arguments presented by various scholars and authors on strategic management. Strategic planning should be inculcated into the parastatal organization culture to be an all-inclusive exercise that involves and considers all key players, necessary resources and environmental influences. Risk measurement and management in strategic planning is crucial if responsible strategic choices are to be made. Also organizations will be more aware of what alternative options to take should environmental conditions, or internal structures, change during the implementation phase of strategic plans.

## 5.3 Recommendations For Further Research

There is adequate opportunity for additional research on strategic management in the public sector. It is recommended that other aspects of strategic management in the public sector be studied.

It was observed that strategic planning is just one aspect of strategic management, and also that most public sector organizations in Kenya have just embraced the concept. Hence it is recommended that future studies be done on how effectively strategic planning is being carried out, and also how monitoring and control systems are applied to ensure implementation in line with stated objectives and goals.

There is unlimited scope for studies in other African countries to ensure context issues are addressed in strategic planning.

## 5.4 Limitations Of The Study

The first limitation faced was the scarcity of previous studies on which this study was based. The state of strategic management in Kenyan public sector organizations has not been extensively researched on. Therefore information was limited and some strategic planning practices may not have been adequately covered.

Respondent apprehension was quite high, and it was difficult to get adequate representation of all parastatals as initially intended by the researcher.

In using survey data collection method, the following are some of the inherent weaknesses experienced:

- Where some information may not have been got from the right person in the organization
- Some respondents misunderstood the questions, thereby giving irrelevant or insufficient data
- Self reporting is not always accurate and true

There were time and resource constraints, which affected the number of organizations visited. In some instances, follow up took longer than expected.

Comparison with other studies should be done bearing in mind the differences in time, location and industry.

# APPENDICES

Appendix I

## LIST OF PARASTATALS IN THE STUDY POPULATION

1 Higher Education Loans Board
2 Executive Secretariat & Technical Unit
3 Kenya Post Offices Savings Bank
4 Teachers Service Commission
5 Kenya Bureau Of Standards
6 Kenya Literature Bureau
7 Industrial Development Bank
8 Kenya Broadcasting Corporation
9 National Aids Control Council
10 National Water Conservation And Pipeline Corporation
11 Consolidated Bank Of Kenya
12 Agricultural Finance Corporation
13 Agricultural Development Corporation
14 Tana And Athi Rivers Development Authority
15 Horticultural Crops Development Authority
16 Kenya Airports Authority
17 Jomo Kenyatta Foundation
18 Kenya Wine Agencies Limited
19 Kenya Railways Corporation
20 Export Promotion Council
21 Medical Practioners And Dentist Board
22 Kenya Industrial Research & Development Institute
23 Electricity Regulatory Board
24 Kenya Anti-Corruption Authority
25 Pharmacy And Poisons Board
26 Betting Control And Licensing Board
27 Kenya Agricultural Research Institute
28 Kenya Forest Research Institute
29 Kenya Roads Board
30 Kenya Tourism Board
31 National Irrigation Board
32 School Equipment Production Unit
33 Kenya Tea Development Agency
34 Kenya Wildlife Service
35 Bomas Of Kenya Limited
36 Local Authorities Provident Fund
37 Kenya Industrial Estates
38 Communications Commission Of Kenya
39 Kenya Institute Of Administration
40 National Cereals And Produce Board
41 National Museums Of Kenya

42 The Tea Board Of Kenya
43 Investment Promotion Center
44 Kenya Pipeline Company Limited
45 National Bank Of Kenya Limited
46 Kenya Utalii College
47 Kenya National Library Services
48 Kenya National Examination Council
49 National Housing Corporation
50 National Hospital Insurance Fund
51 Kenya Dairy Board
52 Nyayo Tea Zones Development Corporation
53 Kenya Veterinary Vaccines Production Institute
54 Kenya Medical Research Institute
55 Kenya Medical Training College
56 Kenyatta National Hospital
57 National Oil Corporation Of Kenya Limited
58 Kenya Sisal Board
59 Retirement Benefits Authority
60 Kenya Re-Insurance Corporation
61 Capital Markets Authority
62 Catering Tourism And Training Development Levy Trustees
63 National Social Security Fund
64 Kenya Electricity Generating Company
65 Kenya Power & Lighting Company Limited
66 Kenya Sugar Board
67 Telkom (K) Limited
68 Kenya Revenue Authority
69 NGOs Co-Ordination Bureau
70 Cotton Board Of Kenya
71 Industrial & Commercial Development Corporation
72 Kenya Tourist Development Corporation
73 National Council For Science & Technology
74 Kenya Plant Health Inspectorate Services
75 Pest Control Products Board
76 Kenya National Trading Corporation Limited
77 Central Bank Of Kenya

**Appendix II**

KEVIN SAFARI
MBA PROGRAMME
FACULTY OF COMMERCE,
UNIVERSITY OF NAIROBI
P. O. BOX 30197
NAIROBI

26 MAY 2003

THE CHIEF EXECUTIVE OFFICER,

XXXXXXXXXXXXXXXX

Dear Sir/Madam,

I am a student in the faculty of Commerce, University of Nairobi. In partial fulfillment of the requirements of the Masters of Business and Administration (MBA), I am conducting a survey study titled **"A SURVEY OF RISK FACTORS IN THE STRATEGIC PLANNING PROCESS OF PARASTATALS IN KENYA"**.

Your organization has been selected to form part of this study. To this end I kindly request your assistance in completing the attached questionnaire, which forms an integral part of this research project. The information and data is needed for academic purposes and will be treated in strictest confidence. A copy of the research project will be made available to your organization upon request.

Please find attached a copy of my introductory letter from the University of Nairobi.

Your cooperation is highly appreciated. Thank you.

Yours sincerely,

Kevin Safari
Encl.

Appendix III

# UNIVERSITY OF NAIROBI
## FACULTY OF COMMERCE
### MBA PROGRAMME - LOWER KABETE CAMPUS

Telephone: 732160 Ext. 208
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE: 27-02-2003

## TO WHOM IT MAY CONCERN

The bearer of this letter: SAFARI KEVIN LEWIS
Registration No: D61/P/8528/99
is a Master of Business & Administration student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on some management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

Thank you.

M. B. A. OFFICE ★ P. O. Box 30197, NAIROBI. UNIVERSITY COMMERCE FACULTY

DR. MARTIN OGUTU
LECTURER & CO-ORDINATOR, MBA PROGRAMME

MO/ek

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

Telegrams: "EDUCATION", Nairobi
Telephone: Nairobi 334411
When replying please quote
Ref. No. ....MOEST.13/001/33C 99/2
and date

JOGOO HOUSE "B"
HARAMBEE AVENUE
P.O. Box 30040-00100
NAIROBI

28th May 2003

Kevin L. Safari
University of Nairobi
P.O. BOX 30197
NAIROBI

RESEARCH AUTHORISATION

Following your application for authority to conduct research on 'A survey of Risk factors in the Strategic Planning process of selected Parastatals, I am pleased to inform you that you have been authorised to conduct research in Government Ministries/Departments and State Coporations in Nairobi for a period ending 30th September, 2003.

You are advised to report to the Heads of the Institutions you will visit before embarking on your research project.

You are further expected to avail two copies of your research findings to this Office upon completion of your research project.

Yours faithfully

A. G. KAARIA
FOR: PERMANENT SECRETARY/EDUCATION

CC
The Provincial Commissioner
Nairobi

The Provincial Director of Education
Nairobi

The Provincial Director of Education
Nairobi

**Appendix V**

## QUESTIONNAIRE

The following questionnaire is structured to extract information on the risks associated with strategic planning in your organization. Kindly fill it in with as much detailed information as is possible. In case the space provided is not adequate, additional comments may be put on separate sheets of paper and attached to the questionnaire.

1.) Name of Organization: ---------------------------------------------------------------------------

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2.) Year of establishment: ---------------------------------------------------------------------------

3.) Nature of operations: ---------------------------------------------------------------------------

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4.) Geographical spread of organization: ---------------------------------------------------------

5.) Parent Ministry: ---------------------------------------------------------------------------------

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6.) Statutory authority (i.e. legal Act governing operations): ---------------------------------------

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7.) Share Capital base: ------------------------------------------------------------------------------

8.) Title of interviewee: ----------------------------------------------------------------------------

---------------------------------------------------------------------------------------------------

9.) Does the organization have a strategic/corporate plan? Yes ( ) No ( )

10.) If yes, what period, in years, does the strategic plan cover?

| 1 year | 2 years | 3 years | 4 years | 5 years | More than five years | Not known |
|---|---|---|---|---|---|---|
| | | | | | | |

11.)How much time was spent on the strategic planning process? (tick one)

A) Less then six months ( )

B) Six months to one year ( )

C) More than one year ( )

D) Cannot tell ( )

12.)Who is responsible for strategic planning in the organization?

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13.)Which of the following were sources of information for the development of the strategic plans?

A) Organization financial reports ( )

B) Human resource statistics ( )

C) Departmental performance reports ( )

D) Statutory instructions/ Legislation ( )

E) Others (please specify)-----------------------------------------------------------------------

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14.)Were the sources of information for strategic plans subjected to audits, or other internal checks, before being used by management for decision-making?

Yes ( ) No ( )

Please explain: ------------------------------------------------------------------------------------

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15.)On the following five point scale, to what extent were the following staff cadres involved in the strategic planning process?

| | Not involved at all | | | | Significantly involved |
|---|---|---|---|---|---|
| A) Top management | 1 | 2 | 3 | 4 | 5 |
| B) Middle management | 1 | 2 | 3 | 4 | 5 |
| C) Technical staff members | 1 | 2 | 3 | 4 | 5 |
| D) Support staff | 1 | 2 | 3 | 4 | 5 |

16.)How often is the progress of implementation of strategic plans reviewed?

a) Once a year ( )

b) Half yearly ( )

c) Quarterly ( )

d) Ad Hoc ( )

e) Not known ( )

17.)Who reviews the implementation of the strategic plans?

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18.)Were the managers involved in the strategic planning process trained on how to handle the following possible negative consequences?

a) Employee resistance Yes ( ) No ( )

b) Unattained expectations Yes ( ) No ( )

c) Other (please specify)--------------------------------------------------------

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19.)On the following five-point scale, how would you rate the degree of Government influence in each of the mentioned areas? (circle the appropriate number to indicate your answer)

| | Very Insignificant | | | | Extremely significant |
|---|---|---|---|---|---|
| A.) Shareholding | 1 | 2 | 3 | 4 | 5 |
| B.) Appointment of board members | 1 | 2 | 3 | 4 | 5 |
| C.) Appointment of the Chief Executive Officer | 1 | 2 | 3 | 4 | 5 |
| D.) Appointment of heads of Department | 1 | 2 | 3 | 4 | 5 |

20.)In strategic planning, there are various analytical frameworks organizations use; such as SWOT analysis, Portfolio models, etc. Please state the strategic analysis framework the planner(s) used in analyzing your organization and its operating environment?

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21.)What key shortcomings did the planner(s) identify with the organization and environmental analysis framework used?

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22.) Which of the following general strategies has the organization currently adopted?

a) Market penetration ( )

b) Product development ( )

c) Diversification ( )

d) Downsizing ( )

e) Other (please specify): ---------------------------------------------------------------------------

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23.)From the general strategies used by the organization, what were some of the key risks identified by the planner(s)? (answer as applicable)

a) Market penetration risks: ---------------------------------------------------------------------------

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b) Product development risks: ------------------------------------------------------------------------

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---------------------------------------------------------------------------------------------------------

c) Diversification risks: -------------------------------------------------------------------------------

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d) Downsizing risks: -----------------------------------------------------------------------------------

---------------------------------------------------------------------------------------------------------

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e) Other strategy risks (please specify): ----------------------------------------------------------------

---------------------------------------------------------------------------------------------------------

24.)Who was responsible for identifying and managing risk factors in the strategic planning process?

a) Managing Director/Chief Executive Officer

b) Planning Manager

c) Other (please specify) ------------------------------------------------------------------------------

----------------------------------------------------------------------------------------------------------

25.)How did the strategic planner identify all the eventualities? (tick appropriately)

a) Use of probabilistic methods ( )

b) Use of non-probabilistic methods ( )

c) Not known ( )

26.)Did the strategic/corporate plan have a section on planning assumptions/premises and associated risks?

Yes ( ) No ( )

a) If yes, please give a brief outline of how risks were identified: ------------------------------

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b) What steps were taken to manage the risks identified? ----------------------------------------

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27.)On a rating scale of 1 to 5, to what extent did the strategic planning process include an analysis of the following as risk factors? (circle the appropriate number to indicate your answer)

| | | Not considered | | | | Considered to a very high Extent |
|---|---|---|---|---|---|---|
| a) | Political changes | 1 | 2 | 3 | 4 | 5 |
| b) | Economic trends | 1 | 2 | 3 | 4 | 5 |
| c) | Emerging societal values | 1 | 2 | 3 | 4 | 5 |
| d) | Technological trends | 1 | 2 | 3 | 4 | 5 |
| e) | Ecological impact | 1 | 2 | 3 | 4 | 5 |
| f) | Legal issues | 1 | 2 | 3 | 4 | 5 |
| g) | Changes in organization structure | 1 | 2 | 3 | 4 | 5 |
| h) | Organization communication | 1 | 2 | 3 | 4 | 5 |
| i) | Impact on staff members | 1 | 2 | 3 | 4 | 5 |
| j) | Current organization crises | 1 | 2 | 3 | 4 | 5 |
| k) | Organization's implementation capacity | 1 | 2 | 3 | 4 | 5 |

28.)On a five-point scale, to what extent did the strategic planning process include an analysis of the following planning elements as risk factors? (circle the appropriate number to indicate your answer)

| | | Not considered | | | | Considered to a very high extent |
|---|---|---|---|---|---|---|
| a) | Planning time | 1 | 2 | 3 | 4 | 5 |
| b) | Planning costs | 1 | 2 | 3 | 4 | 5 |
| c) | Difficulty of planning | 1 | 2 | 3 | 4 | 5 |
| d) | Inherent rigidity of plans | 1 | 2 | 3 | 4 | 5 |
| e) | Ritualistic and formal nature of planning systems | 1 | 2 | 3 | 4 | 5 |

29.)How did the organization measure the likely return from the particular strategy selected?

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30.)Strategic planning is carried out having in mind some desired performance/output. Therefore, did the planner(s) carry out a sensitivity analysis on the impact of the selected strategy on the following?

| | | | | |
|---|---|---|---|---|
| a) | Capital base/structure | Yes ( ) | No ( ) | Not known ( ) |
| b) | Liquidity position | Yes ( ) | No ( ) | Not known ( ) |
| c) | Profitability or surplus | Yes ( ) | No ( ) | Not known ( ) |
| d) | Use of organization's assets | Yes ( ) | No ( ) | Not known ( ) |
| e) | Investments | Yes ( ) | No ( ) | Not known ( ) |

**THANK YOU FOR FILLING OUT THE QUESTIONNAIRE**

**Appendix VI**

Raw and mean scores for the Likert scale

| | Raw scores | | | Mean scores | | |
|---|---|---|---|---|---|---|
| RISK FACTORS | P1 | P2 | P3 | P1 | P2 | P3 |
| Political changes | 17 | 8 | 8 | 3.71 | 3.88 | 4.25 |
| Economic trends | 16 | 8 | 8 | 4.25 | 4.50 | 4.75 |
| Emerging societal values | 16 | 8 | 8 | 3.94 | 3.25 | 3.13 |
| Technological trends | 16 | 8 | 8 | 4.37 | 4.00 | 3.75 |
| Ecological impact | 15 | 8 | 7 | 3.07 | 3.13 | 2.86 |
| Legal issues | 17 | 8 | 8 | 4.18 | 4.00 | 3.38 |
| Changes in organization structure | 16 | 8 | 8 | 4.00 | 3.88 | 3.88 |
| Organization communication | 15 | 8 | 8 | 3.73 | 3.63 | 3.38 |
| Impact on staff members | 15 | 8 | 8 | 3.73 | 3.75 | 4.00 |
| Current organization crises | 16 | 8 | 7 | 3.69 | 3.38 | 4.29 |
| Organization's implementation capacity | 17 | 8 | 8 | 4.12 | 4.25 | 4.13 |
| Planning time | 16 | 7 | 8 | 3.88 | 3.86 | 3.13 |
| Planning costs | 16 | 7 | 8 | 3.69 | 3.71 | 3.75 |
| Difficulty of planning | 16 | 7 | 8 | 3.25 | 3.14 | 3.13 |
| Inherent rigidity of plans | 16 | 7 | 7 | 3.00 | 3.29 | 3.43 |
| Ritualistic and formal nature of planning systems | 14 | 7 | 7 | 2.86 | 2.86 | 3.43 |

<u>Key:</u>
P1 - Regulatory and Sector Support
P2 - Production and Marketing of Goods
P3 - Finance, Training, Research & Development and Allied Services

## Table of t-statistics

F-statistics with other P-values: P=0.05 | P=0.01 | P=0.001

| df | P = 0.05 | P = 0.01 | P = 0.001 |
|---|---|---|---|
| 1 | 12.71 | 63.66 | 636.61 |
| 2 | 4.30 | 9.92 | 31.60 |
| 3 | 3.18 | 5.84 | 12.92 |
| 4 | 2.78 | 4.60 | 8.61 |
| 5 | 2.57 | 4.03 | 6.87 |
| 6 | 2.45 | 3.71 | 5.96 |
| 7 | 2.36 | 3.50 | 5.41 |
| 8 | 2.31 | 3.36 | 5.04 |
| 9 | 2.26 | 3.25 | 4.78 |
| 10 | 2.23 | 3.17 | 4.59 |
| 11 | 2.20 | 3.11 | 4.44 |
| 12 | 2.18 | 3.05 | 4.32 |
| 13 | 2.16 | 3.01 | 4.22 |
| 14 | 2.14 | 2.98 | 4.14 |
| 15 | 2.13 | 2.95 | 4.07 |
| 16 | 2.12 | 2.92 | 4.02 |
| 17 | 2.11 | 2.90 | 3.97 |
| 18 | 2.10 | 2.88 | 3.92 |
| 19 | 2.09 | 2.86 | 3.88 |
| 20 | 2.09 | 2.85 | 3.85 |
| 21 | 2.08 | 2.83 | 3.82 |
| 22 | 2.07 | 2.82 | 3.79 |
| 23 | 2.07 | 2.81 | 3.77 |
| 24 | 2.06 | 2.80 | 3.75 |
| 25 | 2.06 | 2.79 | 3.73 |
| 26 | 2.06 | 2.78 | 3.71 |
| 27 | 2.05 | 2.77 | 3.69 |
| 28 | 2.05 | 2.76 | 3.67 |
| 29 | 2.05 | 2.76 | 3.66 |
| 30 | 2.04 | 2.75 | 3.65 |

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